

## February 5, 2024 – Economic Commentary

The reverberations from last week's blockbuster US Nonfarm Payrolls number will continue this week. Despite the fact that there are many aspects of the data release showing the 353,000 net new jobs created in January (and the upward revisions in earlier months ) that don't make sense— among other things, it is very odd that with that kind of job gain and no increase in labor force participation, the unemployment rate would not go down — financial markets quickly took it as an unquestioned truth. As a result, a March interest rate cut by the Fed has been taken off the table by many investors. That interest rate cut was never on the table for some of us, especially after Fed Chairman Powell's press conference last Tuesday. Yet, the fact remains that equity markets were firmly premised on interest rate cuts sooner rather than later. There will be many speeches by many Fed Presidents in the next few days, perhaps worth paying attention to a bit more closely than usual. Smart money seems to think that the signaling will be for interest rate cuts starting in June, and probably only three in number; a very significant change in perspective in a very short time. European and British monetary policymakers continue to take their cues from the Federal Reserve and also signaled last week that while interest rate cuts are coming and inflation is coming down, nothing is likely to happen soon.

### Data to Watch:

1. Institute for Supply Management US Service Sector PMI, for January, released Monday, February 05
2. US Balance of Trade for December, released Wednesday February 07
3. Euro Area Retail Sales for December, released Tuesday, February 06

### Suggested Reading:

1. [Europe Regulates Its Way to Last Place](#)
2. [Bank of England Sticks with 5.25% interest rate but hints of coming cut](#)
3. [How the U.S. Became the World's Biggest Gas Supplier](#)

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